



## Asia-Pacific Center for Security Studies



**SPECIAL ASSESSMENT**

DECEMBER 2003

### Asia's China Debate

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# Paved with Good Intentions? China's Regional Road and Rail Connections

C H R I S T O P H E R   J A S P A R R O

## Executive Summary

- China's road and rail corridor (RRC) development with Southeast Asia is motivated primarily by domestic development priorities and efforts to improve security in its troubled borderlands as well as in its "near abroad." China's involvement in RRC projects is generally taken as evidence that "China wants to work with the region rather than impose its will on it."
- China requires international funding and technical expertise to develop RRCs. Hence, neighbors may have additional confidence that China's willingness or ability to threaten force is constrained.
- Divergent national interests, geopolitical competition, and interstate mistrust regarding RRCs are not absent, however. India, for reasons similar to those of China, is also developing RRCs with Southeast Asian countries. Some analysts view Chinese and Indian RRC activity in Southeast Asia (and Burma in particular) as evidence of emerging Sino-Indian geopolitical competition; others note the prospect of cooperation between the two large states.
- In the long run, RRC development could help China craft a hybrid continental-maritime geostrategic posture. Direct land access to Europe, Central Asia, the Middle East, Southeast Asia and the Indian Ocean decreases Chinese vulnerability to closure, disruption or interdiction of South China Sea/Southeast Asian sea lines of communication (SLOCs) and U.S. or even Indian or Japanese containment.
- Competition could actually complement cooperation and integration. China and India have shown some interest in linking the Kunming Initiative and the Mekong-Ganges Cooperation plan.
- Denser, more efficient RRCs will intensify regional transnational threats. Failure by China to respond effectively and transparently to these threats will undermine internal stability, destabilize neighboring states, and erode regional trust and confidence in China. Common threats will also create opportunities for regional security cooperation.

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE <b>DEC 2003</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2003 to 00-00-2003</b>	
4. TITLE AND SUBTITLE <b>Paved with Good Intentions? China's Regional Road and Rail Connections</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Asia-Pacific Center for Security Studies, 2058 Maluhia Road, Honolulu, HI, 96815</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>8</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

## INTRODUCTION

The early 1990s witnessed a boom in Eurasian international and domestic projects designed to expand, improve, and integrate RRCs, as well as pipeline, canal, and air transport networks. This process started symbolically in 1990 when former Soviet and Chinese railways were joined at Alatau Pass, making a second Eurasian Continental Landbridge (the Trans-Siberian Railroad being the first) a reality. Eurasian RRC development was given a further impetus in 1993 when the European Union (EU) initiated the “Silk Road of the 21<sup>st</sup> Century” project. Eurasian projects are increasingly being matched by plans for RRCs in the Asia-Pacific, with the eventual goal of linking the two.

Given the size of its economy, military power, population and geographic presence in or proximity to East Asia, South Asia, Central Asia, and Southeast Asia, China will exert the most influence on and be most influenced by Asia-Pacific RRCs. RRCs could enhance economic development in peripheral areas, promote stability in neighboring countries, enhance regional cooperation and boost China's image as a responsible and benign member of the regional community. However, RRCs may also increase the volume of transnational threats into China and neighboring countries and increase fears of Chinese domination. At present, the response of China's Southeast Asian neighbors to its involvement in RRC developments runs the gamut of opportunism (cooperation), indifference (acceptance) and competition (mistrust). The fact that RRC development and integration are moving ahead throughout Southeast Asia suggests acceptance and opportunism are winning out over fear and, on balance, the rewards of RRC integration are perceived as greater than the risks. At a minimum, there is an acceptance of a geographic and economic reality that cannot be fought and is therefore considered better joined.

The burst in interest and activity in both international and domestic RRC development reflects the convergence of four factors. First, the end of the Cold War removed geopolitical barriers to the creation of pan-Asian and Eurasian land transport linkages while subsequent economic globalization provided impetus for more effective and integrated global and regional transport networks. The Trans-Asian Railroad (TAR), for instance, was first proposed during the 1960s but remained stillborn due to conflict, Cold War rivalries, and lack of economic rationale. Second, the dramatic growth of the Chinese, Indian, and Association of Southeast Asian Nations (ASEAN) economies has created an economic rationale for better transnational transport routes within Asia. Third, the need for China and India to economically develop peripheral areas for internal security reasons and ASEAN to integrate new but less developed members means these areas need better internal transport infrastructure as well as linkages to outside markets. Fourth, although at a global level the end of the Cold War gave way to a unipolar system, it has resulted in a degree of multipolarity at the regional and subregional levels and space for regional powers to compete for economic and political influence. Ultimately these factors reflect a reassertion of geographic realities that were artificially constrained by Cold War politics. The growing economies of China and India—with populations of more than one billion people each—and the expanding economies of ASEAN (with an additional 500 million people) make greater interaction and the revival of old land routes and other transport links virtually inevitable.

## CHINA'S MOTIVES FOR RRCS

According to China's 2000 "National Defense White Paper," "developing the economy and strengthening national defense are two strategic tasks in China's modernization efforts." These goals are especially relevant to the sometimes troubled western and southern borderlands. China's domestic RRC development has centered around dual-use infrastructure with complementary economic and defense goals. For instance, the White Paper notes, Chinese military forces have opened five military airports, two hundred railways and thirty oil pipelines for civilian use in western regions; they have also expanded and reconstructed eight airports, four highways and expressways. The People's Liberation Army (PLA) and Armed Forces Police have provided 1.5 million troops and 450,000 motor vehicles to support western regional development. The armed forces have also "encouraged or persuaded demobilized soldiers from densely populated areas to settle in the west." RRC development may serve both as a velvet glove and an iron fist, as it will facilitate regional economic growth as well as military access and Han migration into restive minority borderlands in western China.

To the south, Yunnan Province's internal lines of communications are also underdeveloped. The province lies at the terminus of the state train network (most lines are concentrated in the north). Only 2,800 kilometers of its 163,953 kilometers of roads are second-class or better, while bridges and other infrastructure need upgrading. Although improved provincial transport infrastructure and better integration with the national system is essential, external links are equally critical. Currently most bulk export cargo originating in Yunnan and Sichuan travels by rail or river to east coast ports such as Shanghai, Huangpu and others, and then via sea to Southeast Asian ports (adding four thousand kilometers and taking thirty-five days), thus placing inland southwest China at a competitive disadvantage for trade with the growing ASEAN economies not far to the south. Burma is particularly important to Yunnan; annual trade between the two has increased from \$15 million per year to more than \$800 million since the early 1990s.

Yunnan and Guizhou are attempting to develop tourism based on their climate, scenery, and ethnic diversity. The opening of land routes to Southeast Asia are seen as critical to improving the region's competitiveness as well as making southern China a stop on Southeast Asia's more well-established tourism circuit. Both national and provincial officials aim to transform Kunming into a regional transport hub and the Lancang into an economic corridor linking China with South and Southeast Asia.

The record of RRCs spurring economic development is mixed, and unintended negative consequences can result. For example, road building was integral to Thai development and crop substitution programs launched to counter insurgency and opium production in northern Thailand. Between 1965 and 2000 opium production fell from 245,000 kilograms to 4,000 kilograms while communist and ethnic insurgencies were virtually eliminated. However, unexpected counter-effects threaten the programs' viability and sustainability. For example, limited consumption of local opium has given way to a heroin and amphetamine epidemic. Roads also have facilitated the flow of poor rural women into Bangkok brothels (a 1993 survey showed almost 40 percent of females from 225 villages were involved in commercial sex), the diffusion of HIV/AIDS into the highlands, and Thailand's shift from a drug-producing nation to a transit nation. Thais living

in valley bottoms have benefited disproportionately, leading to localized economic disparities within the highlands; in-migration of other ethnic Thais has spurred ethnic tensions over land and water resources.

The impact of RRCs on China's internal security is undetermined. In Guizhou tourism is slowly increasing, providing alternative livelihoods and cultural revival among ethnic minority groups. Yet, rising drug use and HIV infection rates in southern and western areas threaten social and economic stability. In Xinjian, Han (now 40 percent of the population) are concentrated in settlements along the Xinjiang-Langzhou railway and along major roads between Urumchi and Karamay. Consequently, economic development will likely accrue to Han living along transport corridors, which could further fuel separatist sentiment. RRC development, in the near term, should strengthen the security forces' hold on the area. But should their grip weaken, the experience of other Asian transmigration schemes might be repeated and RRCs could end up as escape routes for Han fleeing back east.

The efficacy of RRC improvements internally is limited if corresponding improvements are not made in the neighboring countries with which internal transport networks will be connected. Therefore, China has been supportive of both bilateral and multilateral RRC development in Southeast Asia. Increased integration may bring increased market access and will increase competitiveness, but it can also introduce politically challenging forces. In China there is some recognition that its most glorious episodes occurred in periods of openness, particularly during the Sung and Ming dynasties, when China was most integrated into the Silk Road-Indian Ocean system, home to foreign merchants and experts, and open to outside cultural innovations and styles. And yet there remains considerable concern that outside influences and compromises on sovereignty are required for effective integration into regional transport networks. Central Asia's mountains and deserts have historically buffered China from outside forces and influences. Greater contact between Chinese Uighurs, Kazaks and other minority groups with kinsmen across borders may increase the flow of democratic ideas, Islamic extremism and other cultural and political influences whose effects may be beyond the Chinese government's ability to manage. External links also may weaken central authority in the provinces while granting non-state actors greater influence within China. For instance, Bao Youxiang, head of the United Wa States Army, has extensive business ventures in Yunnan, fostered by strong ties to local officials. The current regime faces a major conundrum in balancing growing openness with its usual opacity and desire for control. RRCs may ultimately be a blessing to China but a curse to its current rulers.

## CHINA'S NEIGHBORHOOD RRCs

China's current involvement in both bilateral and multilateral RRC development in Southeast Asia is largely a function of three trends. The first is the previously discussed impetus to economically develop peripheral areas (such as Yunnan) that border important neighbors. Second, China has "actively engaged" in developing multilateral relationships since the 1990s, which reflects an appreciation that both it and the region gain through multilateral cooperation. Third, China desires to maintain stability in and prevent encroachment on its "near abroad" (especially Burma, where ethnic unrest, drug trafficking and HIV/AIDS directly threaten China).

Because much of the impetus behind RRC development is multilateral, the interests of individual actors such as China are tempered. RRC development is a critical prerequisite to Chinese-proposed multilateral economic initiatives in Southeast Asia, such as the creation of a China-ASEAN free trade area. Thus, China's involvement in both bilateral and multilateral RRC projects may be seen by some countries as further evidence that "China wants to work with the region rather than impose its will on it." China, in fact, does not have the capacity to unilaterally develop and improve RRCs, either internally or externally. Limited capital and expertise also increases the influence of bilateral and multilateral aid donors (especially the European Union, World Bank, Asian Development Bank [ADB], and UN) on both internal and transnational RRC development. For example, the ADB recently approved \$250 million to build feeder roads in Yunnan. Sovereign priorities therefore must accommodate outside norms and interests if transport initiatives are to mature. Reliance on external sources of funding and technical expertise makes cooperative and multilateral approaches—rather than isolation and aggression—pragmatic policy alternatives in China's self-interest. Hence, neighbors may have additional confidence that China's willingness or ability to threaten force will be constrained.

This does not mean national interests, geopolitical competition, and interstate mistrust are absent. Multilateral goodwill and cooperation will be constrained in some cases by historical suspicions and the fear of stronger neighbors or rival powers. Hanoi, for example, recently stalled on opening new trade routes from China through Vietnam into Southeast Asia.

RRC development may enable China to increase its political and economic influence in Southeast Asia. The bulk of China's bilateral assistance in the transportation sector has been to Burma. Many observers (particularly from India) view this aid as part of a greater plan to dominate Burma and outflank India. China is now Burma's primary arms supplier and the country's third-largest trading partner—with bilateral trade of more than \$600 million in 2000. Despite Burma's growing dependence on China, historic mistrust and xenophobia have led the Burmese government to keep a tight leash on Chinese advisors and personnel. Burma has also sought Indian military and transport development assistance partly to counterbalance China.

RRC development will help China craft a hybrid continental-maritime geostrategic posture. Direct land access to Europe, Central Asia, the Middle East, Southeast Asia, and the Indian Ocean decreases Chinese vulnerability to closure, disruption or interdiction of Southeast Asian/South China Sea SLOCs and U.S. or Indian containment. RRC and port development in Tibet, Pakistan, and Burma provide China a means of flanking and containing India. Chinese road and rail building efforts in Burma and Southeast Asia, combined with development of port facilities in Hanggyi, Coco Islands, Mergui and Thilawa, create land lines of communication (LLOCs) to Southeast Asia and additional access to the eastern Indian Ocean.

India, however, is also providing infrastructure and military assistance to Burma. As with China, this has much to do with internal security and development concerns. The most feasible routes between the bulk of India and its restive northeastern states traverse Bangladesh. Partition and current sour relations have left the Kolkata-Sunderban-Brahmaputra water route nearly void of trans-border traffic. India's narrow Siliguri Corridor provides only a fragile LLOC to the northeast. During the monsoons, air transport is often impossible while flooding disrupts

road and rail movement. Meanwhile, insurgent attacks in the corridor have increased. The resulting vulnerability and unreliability present a major strategic and logistical challenge to India's Eastern Command.

To obtain better access into its northeast, India is helping develop road, rail, and water transport infrastructure in Burma. Indian engineers have helped build a 160-kilometer road from Moreh—a town in India's northeastern state of Manipur—to Kalyemyo and Kalewa, providing an alternate land route into the northeast via Burma. The proposed "Kaladan Project" could revive Burma's port of Sittwe, creating a river-land corridor to Mizoram, another of India's small northeastern states. India, Thailand and Burma have agreed on a trilateral highway project to connect India and Thailand with Dawei, a Burmese port. RRCs through Burma would give India an alternative line of communication to the Malacca Straits, as well as land access to the South China Sea. India, therefore, could pursue its own land-sea strategy, simultaneously asserting greater control over its northeast while countering Chinese influence.

Some analysts view Chinese and Indian transport involvement in RRC development in Southeast Asia (and Burma in particular) as a series of unilateral and adversarial geostrategic chess moves. However, given the overall multilateral context in which regional transport initiatives are occurring—as well as both countries' internal security priorities—it is more likely that their actions reflect primarily domestic concerns and a willingness to engage with the region via multilateral and "soft" means. In other words, geostrategic advantages sought or obtained are opportunistic rather than by grand design.

Competition will also naturally arise over contracts for construction, routes, and financing. For instance, in July 2003 certain memoranda of understanding (MOUs) between India's International Railway Construction Company (IRCON) and the China Railway Engineering Corporation had stalled over Malaysian "haggling" over the price of palm oil (in which the multibillion-dollar contracts will be paid). Ultimately, however, competition could actually complement cooperation and integration. China and India have shown some interest in linking the Kunming Initiative (a Chinese proposal to rebuild the Stilwell Road linking northeast India with southern China via Burma, which was announced at a 1999 conference sponsored by China and attended by Burma, India, and Bangladesh) and the Mekong-Ganges Cooperation plan (an Indian plan to create an economic grid linking the Greater Mekong and Ganges region including India, Thailand, Laos, Vietnam, Cambodia, and Burma, of which developing RRCs and river transport is an integral part. One of the plan's centerpieces is a proposed extension of the recently completed Moreh-Kalewa Road from India's northeast into Burma to Thailand and other Southeast Asian destinations). In this case, Burma, because of its location between East, Southeast, and South Asia, may become a convergence zone (as opposed to a shatterbelt) characterized by Sino-Indian cooperation and integration as well as competition. Increased maritime access and alternative LLOCs to narrow SLOCs may not just offer geostrategic advantage but could paradoxically help increase security by making countries less vulnerable to SLOC disruption and therefore less fearful of interdiction and containment by rivals.

RRC development also has a transnational aspect that poses simultaneous threats and opportunities. Diffusion paths for drugs, illegal migrants, infectious disease and small arms have undergone a process of expansion and diversification

throughout Asia during the last fifteen years. Denser, more efficient, interconnected transport networks will continue to intensify this process. Rampant corruption and the likelihood that increasing legitimate traffic will overwhelm states' capacity to monitor and inspect trans-border movements will further exacerbate transnational threats along new RRCs. For instance, journalists report that small traders crossing the Burma-Chinese border squeezed for cash are sometimes delayed for days while trucks owned by organized criminals are waved through after cursory inspections (with the collusion of Burmese border forces, Chinese businessmen and provincial officials).

In the 1980s smuggling routes began diversifying and multiplying with the use of the Burma road as an important trafficking corridor. In the 1990s a Burma-Northeast India pathway emerged while new routes through Thailand, Laos, Cambodia, and Vietnam to China and beyond have recently opened. China is now the main transit conduit for Burmese heroin, an important heroin user nation, and a precursor chemical supplier. Between 1999 and 2003, Yunnan drug police arrested 32,926 suspects and confiscated 42.1 tons of heroin. Chinese officials acknowledge that transportation is a major vulnerability; anti-trafficking efforts on roads, waterways and railroads plus border control are major priorities for 2003. Roads and truck stops are major conduits for drug smuggling and prostitution and hence diffusion of intravenous drug use, trafficked women, and HIV/AIDS, especially in India, China, and Burma. Improved RRCs will likely deepen Asia's looming HIV/AIDS crisis. RRCs may also help speed diffusion of emerging infectious diseases. Severe acute respiratory syndrome (SARS) will not be the last or worst infection to strike the region.

Historically, integration has presented China with transnational challenges both as it extended its hegemony and toward the end of its dynasties. During the early fifteenth to mid-sixteenth centuries, China-Japan trade expanded under the guise of tribute, yet Japanese pirates increasingly raided southeastern China. Foreign penetration—and what we now call transnational or non-traditional threats, such as opium, drought, terrorism (Muslim separatists, Taipings, Boxers) and infectious disease (plague)—combined to hasten the end of the Manchu Dynasty.

China's location in the center of growing land transport webs makes it especially vulnerable to transnational threats. According to Zhou Yongkang, director of China's Narcotics Control Commission, the "... harm which illegal drugs cause to society is becoming more severe all the time [impacting] development, crime, social stability, and public order." Failure to respond effectively and transparently to these threats will undermine internal stability, destabilize neighboring states, and erode international confidence in China. Beijing's reluctance to admit to its HIV/AIDS problem and its initially inept, evasive approach to the SARS epidemic have damaged its international credibility. Meanwhile, a torrent of illegal Chinese immigrants seeking land fans ethnic tensions in northeastern Burma (some estimates suggest more than twenty thousand Chinese per year were settling in Mandalay, facilitated by corruption and identity fraud, during the early to mid-1990s) and reinforces Burmese suspicion of Chinese intentions.

Common threats also create opportunities for greater regional security cooperation and for China to exert leadership. The Shanghai Cooperation Organization (whose secretariat will be located in Beijing) is a notable example. Bilateral and multilateral cooperation to combat transnational threats is increasing regionally.



For instance, the Yunnan Police has signed drug enforcement MOUs with Burmese, Vietnamese, Laotian, and Thai counterparts. China and ASEAN agreed to establish a special fund and develop a cooperative framework to combat SARS. India and Burma reached a counterdrug agreement in September 2002. In 2001, China sponsored a ministerial-level drug enforcement meeting with Burma, Laos, Thailand, and Vietnam.

## IMPLICATIONS FOR THE UNITED STATES

U.S. policymakers should not overreact to RRC developments because despite recent improvements and initiatives it is, at this time, far from certain that many of the ongoing and proposed RRC developments will live up to expectations. In the short term the most significant impacts will be at the local, not strategic level. Truck drivers will have better roads, many communities will be integrated into national and regional economies, and tourists (and drugs and diseases) will spread further afield more easily. In the long run, slowly but surely as geography asserts itself, road and rail infrastructure and integration will improve and the region's land transport system should continue to grow in capacity and integration. This will allow time for careful and judicious policy responses.

Containment or attempting to prevent RRC development is not a sustainable or feasible policy option. Since RRC development poses benefits to numerous states, any interference would likely sour relations with states well or neutrally disposed to the United States while exacerbating tensions with others. On the other hand, RRC developments offer several opportunities for the United States. First, RRC development and related infrastructure projects provide business opportunities for U.S. firms. U.S. engagement in RRC development would provide opportunities to increase its own influence in the region. Second, the United States and allies such as Japan will also gain from the creation of alternatives to narrow SLOCs. Third, the United States has a common interest with China, India, and ASEAN in minimizing transnational threats (particularly the movement of terrorists and drugs) across RRCs. This provides openings for promoting confidence building and bilateral and multilateral security assistance and cooperation. Fourth, economic development facilitated by RRCs may (in the long term) help to reduce transnational threats such as terrorism, drug trafficking, and the emergence of infectious disease. Fifth, as China becomes economically and culturally linked with the international community, internal pressure and rationale for political change consistent with free markets and global economic interdependence will increase. Thus, the United States should support—if not actively assist in—RRC development in Southeast Asia while seeking cooperative ways to minimize potential related negative transnational impacts.

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